

AR37



Québec-Téléphone Annual Report 1966



Québec-Téléphone Annual Report 1966

Head Office:
6 St. Jean Street, Rimouski, Que.

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Tower structure and antennae on Mont
Ste-Marguerite radio relay site linking St-Georges
de Beauce and Ste-Germaine with Ste-Marie de
Beauce toll centre.
The altitude of the site is 2,260 feet above sea level.

Si vous préférez un exemplaire du rapport en
français, veuillez écrire à: Québec-Téléphone,
6, rue Saint-Jean, Rimouski, Québec.



Report In Brief

'66 '65

Increase or
(Decrease)

Financial Results

Total revenues	\$17,714,909	\$16,211,321	\$ 1,503,588
Total operating expenses and fixed charges	\$13,132,789	\$11,428,371	\$ 1,704,418
Income taxes	\$ 2,350,190	\$ 2,497,543	(\$147,353)
Net income	\$ 2,231,930	\$ 2,285,407	(\$53,477)
Dividends paid to preferred shareholders	\$ 521,727	\$ 500,014	\$ 21,713
Earnings available for common shares	\$ 1,710,203	\$ 1,785,393	(\$75,190)
Per average common share	\$ 1.125	\$ 1.21	(\$0.085)
Dividends paid per common share	\$ 0.70	\$ 0.70	—
Average number of common shares outstanding	1,519,792	1,475,310	44,482
Dividends paid to common shareholders	\$ 1,085,618	\$ 1,031,355	\$ 54,263
Dividend pay-out ratio	72.0%	67.0%	5%
Number of preferred and common shareholders	3,523	3,465	58

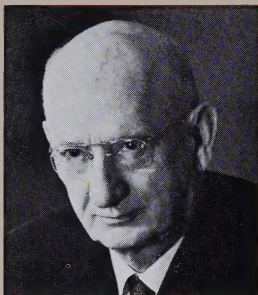
Telephone Plant

Total plant investment	\$86,614,281	\$72,555,016	\$14,059,265
Construction expenditures	\$14,650,882	\$ 9,841,070	\$ 4,809,812
Telephones in service	119,278	108,791	10,487
Per cent dial operated	73.1	71.3	1.8
Number of central offices	134	133	1
Number of long distance calls	10,312,595	9,587,148	725,447

Personnel

	1,662	1,580	82
Salaries and wages	\$ 6,953,628	\$ 6,191,170	\$ 762,458

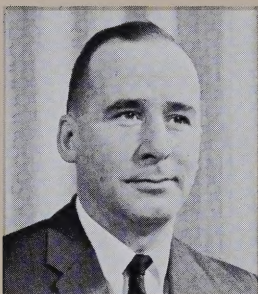
Board of Directors



HON. JULES A. BRILLANT*
C.B.E., M.L.C.
Rimouski
Chairman of the Board



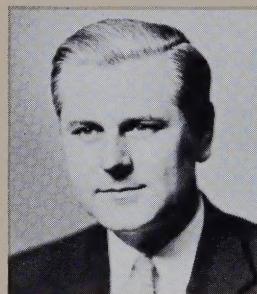
JACQUES BRILLANT*
Rimouski
President of the Company,
Chairman of the
Executive Committee



B. A. BÉNÉTEAU*
Rimouski
Executive Vice President —
Operations



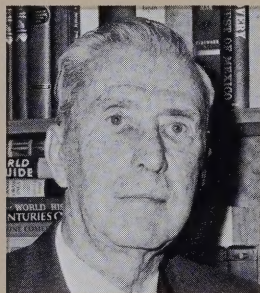
J. RÉAL BERNIER*
Rimouski
Vice President and
Controller



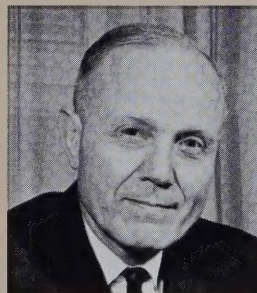
JAMES J. CLERKIN, Jr.
New York
Executive Vice President —
Telephone Operations
General Telephone &
Electronics Corporation



JOHN J. DOUGLAS
New York
Executive Vice President —
Finance
General Telephone &
Electronics Corporation



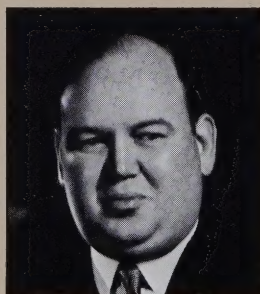
P.-E. GAGNON, Q.C.
Rimouski
Senior Member,
Gagnon, Gagnon & Lepage



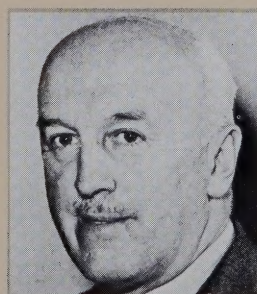
NORMAN GENDREAU*
Rimouski
First Vice President,
Executive Vice President —
Finance and Treasurer



MAURICE MARTIN*
Rimouski
Vice President —
Public Relations



CLAUDE PRATTE
Quebec
Lawyer



HENRY ARTHUR SEWELL
Thorold
Vice-Chairman of the Board
Quebec North Shore
Paper Co.

Officers

Hon. Jules A. Brillant, M.L.C., C.B.E.,
Chairman of the Board

Jacques Brillant,
President of the Company,
Chairman of the Executive Committee

Norman Gendreau, First Vice President,
Executive Vice President —
Finance and Treasurer

B. A. Bénéteau, Executive
Vice President — Operations

Yvon Côté, Vice President and
General Counsel, Secretary

J. Réal Bernier, Vice President
and Controller

Maurice Martin, Vice President —
Public Relations

Julien Thuot, Vice President —
Revenue Requirements

J. R. Tennet, Assistant
Vice President — Engineering

Jean-Marc Tremblay,
Assistant Secretary

Henri Dionne, Director of Personnel

Transfer agent and registrar

Preferred and common stock:

Administration and Trust Company,
10 St. James Street West, Montreal.

*Common stock and 4¼% preferred
stock, 1965 Series, are listed on the
Montreal Stock Exchange and the 5%
preferred stock, 1950, 1951, 1955 and
1956 Series, are listed on the
Canadian Stock Exchange.*

Bankers

National Canadian Bank

Provincial Bank of Canada

Bank of Montreal

Subsidiary

The Bonaventure and Gaspé
Telephone Company, Limited
New-Carlisle,
Bonaventure County, P.Q.

The President's Message



Results for 1966 appear on the whole, satisfactory, although net income was slightly lower than in 1965, chiefly because the favourable effect on earnings of substantial capital expenditures made in 1966 to complete major projects will be felt only in subsequent years and the rate increase requested in 1965 was granted effective only on November 1, 1966. The Company established new records during 1966. Gross revenues were more than \$17,500,000; there was an exceptional increase of 10,497 in the number of telephones; assets increased at a rate greater than 19 per cent and plant additions amounted to more than \$16,500,000.

The expansion plans of the Company are designed to utilize new technological developments in order to meet both objectives of providing modern services to customers and controlling operating costs through increased productivity. We continued the mechanization of local service and installed a crossbar switching machine permitting the offering of Direct Distance Dialing. Our plans provide that almost all telephones will be dial operated in about three years and thus will necessitate the conversion to dial of approximately 55 manual exchanges and the installation of hundreds of miles of cable. The Company intends to make greater use of microwave systems to further develop toll traffic throughout its vast service

area and to coordinate the whole system with the continent-wide Direct Distance Dialing network. Finally, the Company installed a computer and thus entered into the promising era of data processing.

We are pleased to be associated with the General System. Our relationship with this large and dynamic enterprise will certainly be of benefit to our customers, personnel and shareholders.

Our progress during the year could not have been achieved without the ability and loyalty of the employees to whom we wish to express our deep appreciation and confidence.

The following pages of this report contain a review of operations for the year 1966 in greater detail, the financial statements and the auditors' report, statistical tabulations and other pertinent information.

Jacques Brillant
Jacques Brillant

Report of the Directors

Operating revenues

In 1966, operating revenues amounted to \$17,569,328 as compared with \$16,164,763 in 1965, an increase of \$1,404,565 or 8.7 per cent. This increase results chiefly from an all-time high in the number of telephones. Higher local service rates, effective November 1, and the mobile radio-telephone service provided to the Provincial Police have also contributed to this increase; local service revenues alone rose by \$902,543 or 16.5 per cent. Telephones in service at year-end totalled 119,278 or 10,487 more than in 1965.

Toll service provided a lower increase in revenues, as shown in the table below. While revenues from message tolls rose 7.2 per cent, the increase was offset by an increase of only 1.4 per cent in revenue from private wire service; the latter category of revenues accounts for 25 per cent of total toll revenues.

Operating expenses

Operating expenses, including income taxes and depreciation, amounted to \$13,339,018 in 1966 as compared with \$12,225,885 in 1965, an increase of 9.1 per cent. Salaries and employee benefits charged to operations increased by \$672,996 or 15 per cent to a total of \$5,158,001. Salaries continue to be the largest item of expense and represent a major portion of the increase in operating expenses. Provision for depreciation passed the three million dollar mark and showed an increase of \$296,957 or 10.9 per cent to \$3,003,397, resulting from net additions of \$14,059,625 to telephone plant.

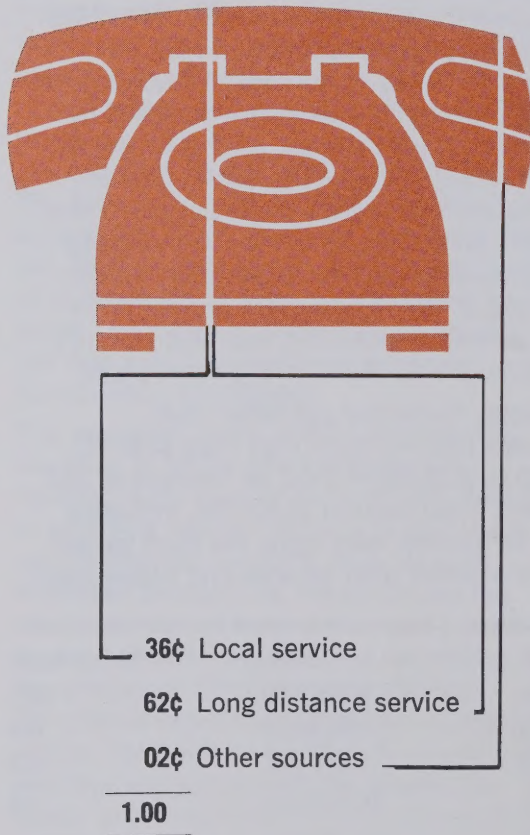
Provincial, municipal and other taxes, excluding income taxes, rose from \$448,793 in 1965 to \$553,009 in 1966, an increase of 23.4 per cent. Total taxes of \$2,903,199, including taxes on income, were again the third largest item of expense after salaries and depreciation.

	1966	1965	% increase
Local service	\$ 6,376,875	\$ 5,474,332	16.5
Toll service	11,003,323	10,485,022	4.9
Miscellaneous	246,840	236,727	4.3
	<u>17,627,038</u>	<u>16,196,081</u>	<u>8.8</u>
Less: Uncollectible operating revenues	57,710	31,318	
	<u>\$17,569,328</u>	<u>\$16,164,763</u>	<u>8.7</u>

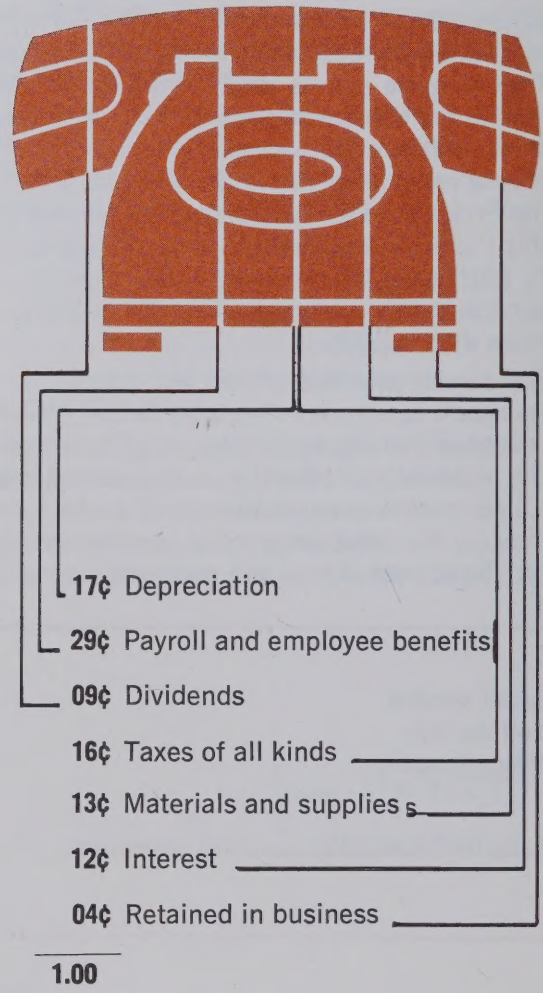


The 1966 Revenue Dollar

where it came from



where it was used



Report of the Directors

As a result of the issue of \$5,000,000 1st Mortgage Bonds in October 1965 and of bank and short term loans incurred during the year to finance the 1966 construction program, fixed charges rose from \$1,700,029 to \$2,143,961 and showed the largest percentage increase of 26.1 per cent.

Earnings per share and dividends

Net income for the year, after provision for depreciation and income taxes, was \$2,231,930, as compared with \$2,285,407 in 1965, a decrease of \$53,477 or 2.3 per cent. After dividend requirements on the preferred shares, net income was equal to \$1.12 per share in 1966, compared with \$1.21 last year, calculated on the basis of the average number of common shares outstanding in each year. Dividends totalling \$0.70 per share were paid during the year on common stock. Preferred and common share dividends aggregated \$1,607,345, equivalent to 72 per cent of net income. The balance of net income, amounting to \$624,585, was transferred to Retained Earnings. Net income per share reflects the issue of 248,241 new common shares during November 1966.

Purchase of five telephone companies

During the last six months of 1966, the Company acquired five new telephone companies serving areas adjacent to its western division, namely, St-Georges de Beauce, St-Côme and St-Martin in Beauce County, St-Prosper and St-Benjamin in Dorchester County. 5,256 telephones were thus added to the Company's system. These exchanges were already tributaries of the Ste-Marie de Beauce toll centre and the Company provided technical and administrative assistance to these companies. St-Georges de Beauce central office is dial operated while those of St-Côme and St-Martin will be automated during 1967. The St-Prosper and St-Benjamin exchanges will be converted to automatic operation during the following year.

Construction program

Construction expenditures for the modernization and expansion of telephone plant and for the acquisition of independent telephone systems reached an all-time high in 1966, amounting to \$16,558,736. After deducting the cost of facilities removed from service, net additions totalled \$14,059,265, bringing the cost of telephone plant at the end of the year to \$86,614,281.

These expenditures permitted the Company to meet the increased demand for local and long distance telephone service, continue its dial conversion program and provide for new customer service features such as Direct Distance Dialing.

The microwave system between Ste-Marie, St-Georges and Ste-Germaine was completed



during the course of the year. This will provide additional long distance facilities to exchanges in the Dorchester and Beauce counties. A similar system was constructed between Gaspé and Murdochville to provide for the increased requirements of this mining area. Major additions were made to the microwave system in the area east of Rimouski to meet growth requirements for long distance service in Matane, Baie-Comeau, Amqui, Ste-Anne-des-Monts and Sept-Iles exchanges. A No. 5 crossbar switching machine, equipped with 10,000 lines for local service, was installed in Rimouski, and will also provide Direct Distance Dialing to 15 exchanges which serve 42 per cent of the Company's subscribers in the eastern division. This new service feature will become available on March 5, 1967.

Four manual exchanges were automated during the year, bringing the number of dial telephones to 73 per cent of the system total. Nine new buildings were erected to house central office equipment for the exchanges converted to dial in 1966 and part of those scheduled for 1967.



Large investments were also made in outside plant facilities and in additions to central office equipment to provide for the sustained demand for the Company's services.

Marketing

Trained personnel was actively engaged in promoting the marketing of many specialized communication services to meet the special needs of individuals, industries and institutions. Annual revenue brought about by sales of these services amounted to more than \$485,000.

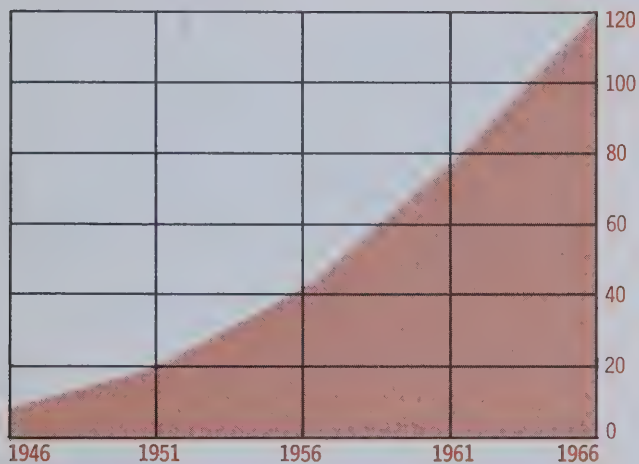
The Company introduced or demonstrated several new services which illustrate the progress achieved in the field of communications. The Company thus demonstrated to hospitals, equipment (Data Set Medical) which makes it possible for a physician to transmit his patients' electrocardiograms over regular telephone lines to a specialist for immediate diagnosis. In the field of education, the Company has installed experimentally a teaching system known as VERB (Visual Electronic Remote Blackboard) that transmits voice communications and handwriting over telephone lines. The new system provides a voice circuit and visual display by a Telescript machine and a projector, thereby enabling an instructor in a central location to lecture students in widely separated distant classrooms. Among new services demonstrated during the year was equipment for broadcasting music in public places and for automatic telephone answering.

In September, the Company introduced the Tel-Text service which permits Telex subscribers to use their teletypewriters to send messages to non-subscribers by simply dialing the number of the particular telegraph office where this service is in operation. In addition, the installation of a second Telex exchange to be located at Rimouski will meet the increasing demand for this service.

We have continued to give particular attention to the development of the

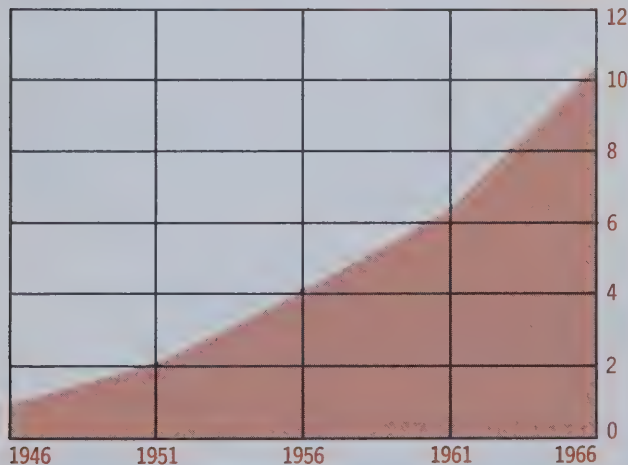
TELEPHONES IN SERVICE

thousands



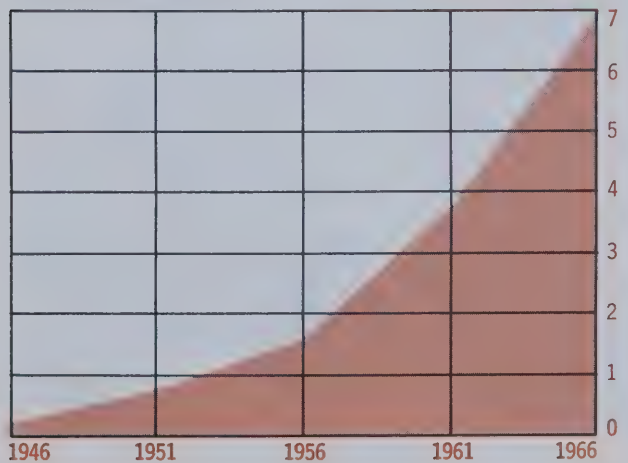
LONG DISTANCE
CALLS

millions



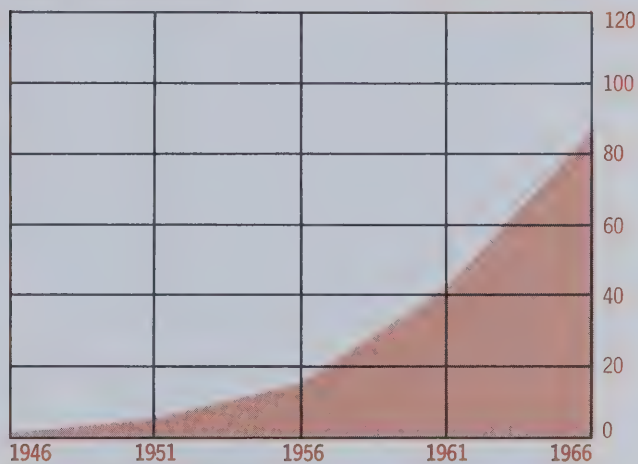
SALARIES AND WAGES

millions of dollars



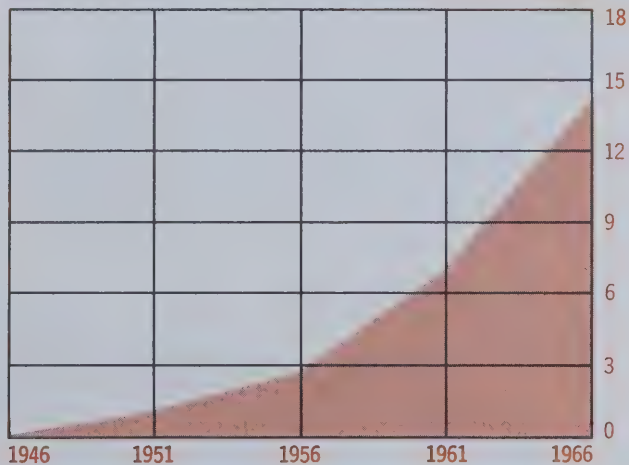
PLANT INVESTMENT

millions of dollars



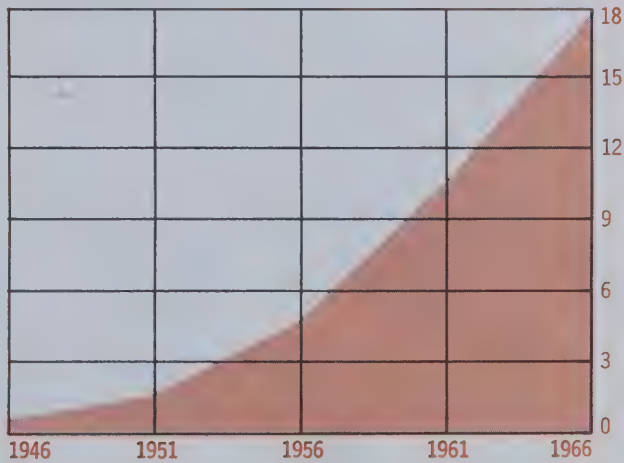
ANNUAL CONSTRUCTION
EXPENDITURES

millions of dollars



TOTAL REVENUES

millions of dollars



communication requirements for the protection services of towns in our service area.

Personnel

Salary and wage payments amounted to \$6,953,628 in 1966 in comparison with \$6,191,170 last year. The increase of \$762,458 or 12.2 per cent, results from a greater number of employees — 1,662 as against 1,580 at the end of 1965 — and higher wage and salary schedules effective during the year.

The first union contract in the history of Québec-Téléphone was signed on August 18, 1966. The two-year agreement between the Company and the International Brotherhood of Electrical Workers, representing 350 craft workers, provides for a wage increase, a reduction in the number of hours per week from 42½ to 40 with no reduction in pay, various changes in work procedures and job classifications, employment security and extra vacation for employees with 10 years or more

seniority who take their vacation during the winter months.

The same union was also certified as a bargaining unit for the telephone operators in July and for office employees in December. Union contract negotiations are proceeding with the first bargaining unit and have not yet begun with the second.

The refresher course for supervising personnel, instituted in July 1965, was successfully continued in 1966. This introductory course in administrative techniques, designed to provide supervising personnel with the opportunity for a better understanding of the diversity of human behaviour in the framework of the enterprise, was given to more than 200 persons.

Local exchange rate increase

The Public Service Board of the Province of Quebec, in an order dated September 30, 1966, granted an increase in local service rates. The



new rates were effective on November 1, 1966, and consequently were not sufficient to offset the increase in operating expense during the year. The petition for the rate increase was filed with the Board in May 1965 in order to enable the Company to meet the steadily rising operating costs and earn a reasonable rate of return on the capital invested in the business. The new rates will yield additional revenues of approximately \$1,400,000 in 1967.

Financing

In October, the Board of Directors authorized an offering to the common shareholders of 248,241 Common Shares on the basis of one additional share at \$15.25 per share for each six shares held. The entire offering was sold. The Board of Directors also authorized, in November, the sale of \$5,000,000 principal amount of 7% First Mortgage Bonds which were issued and paid for on January 5, 1967. The proceeds from the sale of the Common

Shares and First Mortgage Bonds were used to reduce short term loans incurred to finance, together with funds provided from internal sources, the 1966 construction program. The Company has negotiated bank loans adequate to provide for interim financing of 1967 capital expenditures, but further permanent financing will be necessary in 1967 to retire bank indebtedness. The type and amount of this financing will be determined at some later date.

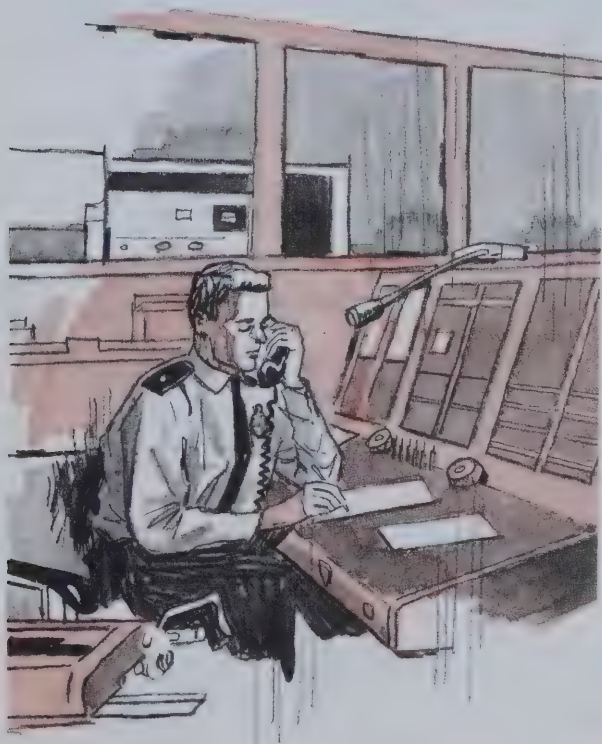
New majority shareholder

Since July 21, 1966, Anglo-Canadian Telephone Company is the majority common shareholder of Québec-Téléphone. This transaction brought no change whatever in the policies, management and personnel of your Company. Anglo-Canadian Telephone Company which also has voting control of British Columbia Telephone Company, owns the following subsidiaries: Canadian Telephone & Supplies Limited, Dominion Directory Company Limited and Cia Dominicana de Telefonos (a telephone company serving the Dominican Republic).

General Telephone & Electronics Corporation, of which Anglo-Canadian Telephone Company is itself a subsidiary, serves more than 7,800,000 telephones and is actually the largest independent telephone system in America. Through its subsidiaries, Lenkurt Electric Co. of Canada Ltd., Automatic Electric (Canada) Limited and Sylvania Electric Products Inc., GT&E is one of the most important manufacturer of telecommunication and lighting equipment and operates 63 plants in the United States and 29 in Canada, Europe, Latin America and the Far East. General Telephone & Electronics Corporation has more than 140,000 employees and, with consolidated assets totalling over \$4,500,000,000, ranks among the industrial giants of the world.

Administrative changes

On July 21, 1966, F. C. Doak, who rendered valuable services as a member of the Board of



Directors since March 1946, resigned and was succeeded by John J. Douglas. On the same date, Aubert Brillant and Carol Brillant also resigned and James J. Clerkin, Jr. and B. A. Bénéteau were elected to the Board. John J. Douglas and James J. Clerkin, Jr. are respectively Executive Vice President — Finance and Executive Vice President — Telephone Operations of General Telephone & Electronics Corporation.

The Board of Directors then made the following appointments: Norman Gendreau, First Vice President, Executive Vice President — Finance and Treasurer; B. A. Bénéteau, Executive Vice President — Operations; Yvon Côté, Vice President and General Counsel, Secretary; J. Réal Bernier, Vice President and Controller; Julien Thuot, Vice President — Revenue Requirements and J. R. Tennet, Assistant Vice President — Engineering.

Outlook

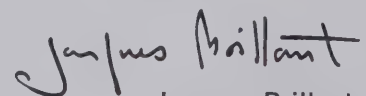
Investment in new telephone facilities in 1966 was at a much higher level than in previous years. Capital expenditures of approximately \$16,000,000 are planned for 1967 to provide modern communication services to our customers. Several microwave radio-telephone systems will be installed during 1967 and 1968; one such system will provide telephone service in the region situated between Havre St-Pierre and Blanc-Sablon, a distance of about 300 miles. In 1967, 17 manual offices will be converted to automatic operation and seven additional buildings will be erected. Our long-range program provides for the conversion of all our manual exchanges to automatic operation by the end of 1970. Direct Distance Dialing of toll

messages will be available to more than 90 per cent of our customers by this date.

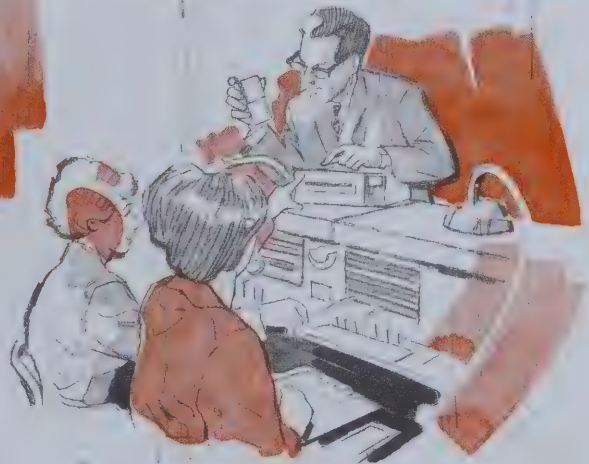
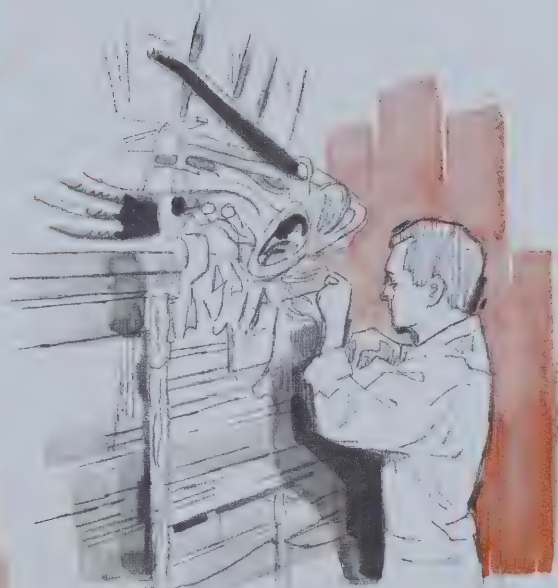
Forecasts indicate that various important industrial developments which will be completed in the near future, mainly on the North Shore, will result in a rapid rate of growth in the number of customers. Canadian British Aluminium Company Ltd. has announced that it will increase the capacity of its plant at Baie-Comeau. The development of Churchill Falls undertaken by Brinco and the construction of transmission lines by Hydro-Quebec will have favourable effects on the economy of the Sept-Iles region. The active mineral exploration being undertaken in eastern Quebec and more particularly in the Gaspé Peninsula augurs well for the future of this area. Plans of Lenkurt Electric Co. of Canada, Ltd., for the construction in Rimouski of a new plant for manufacturing telecommunication equipment will be ready in the near future; operations are scheduled to begin at the end of 1967.

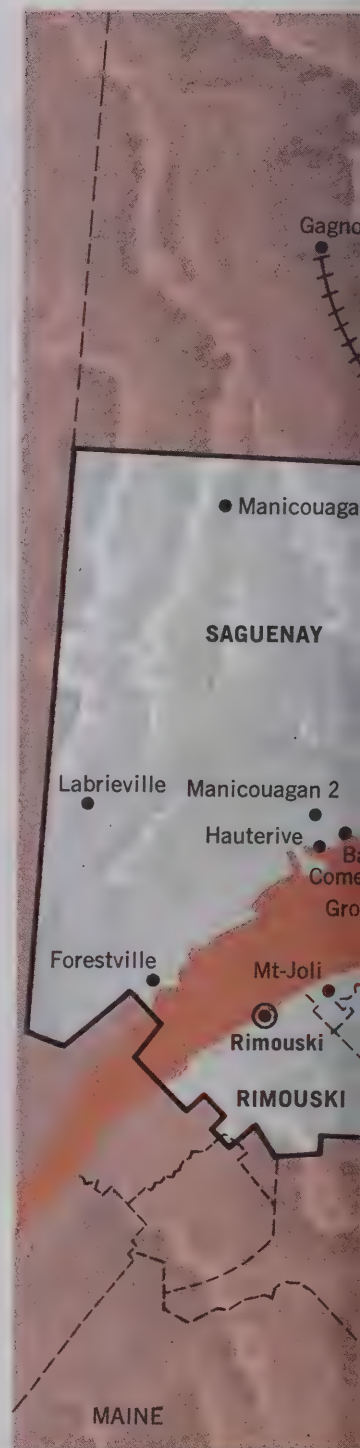
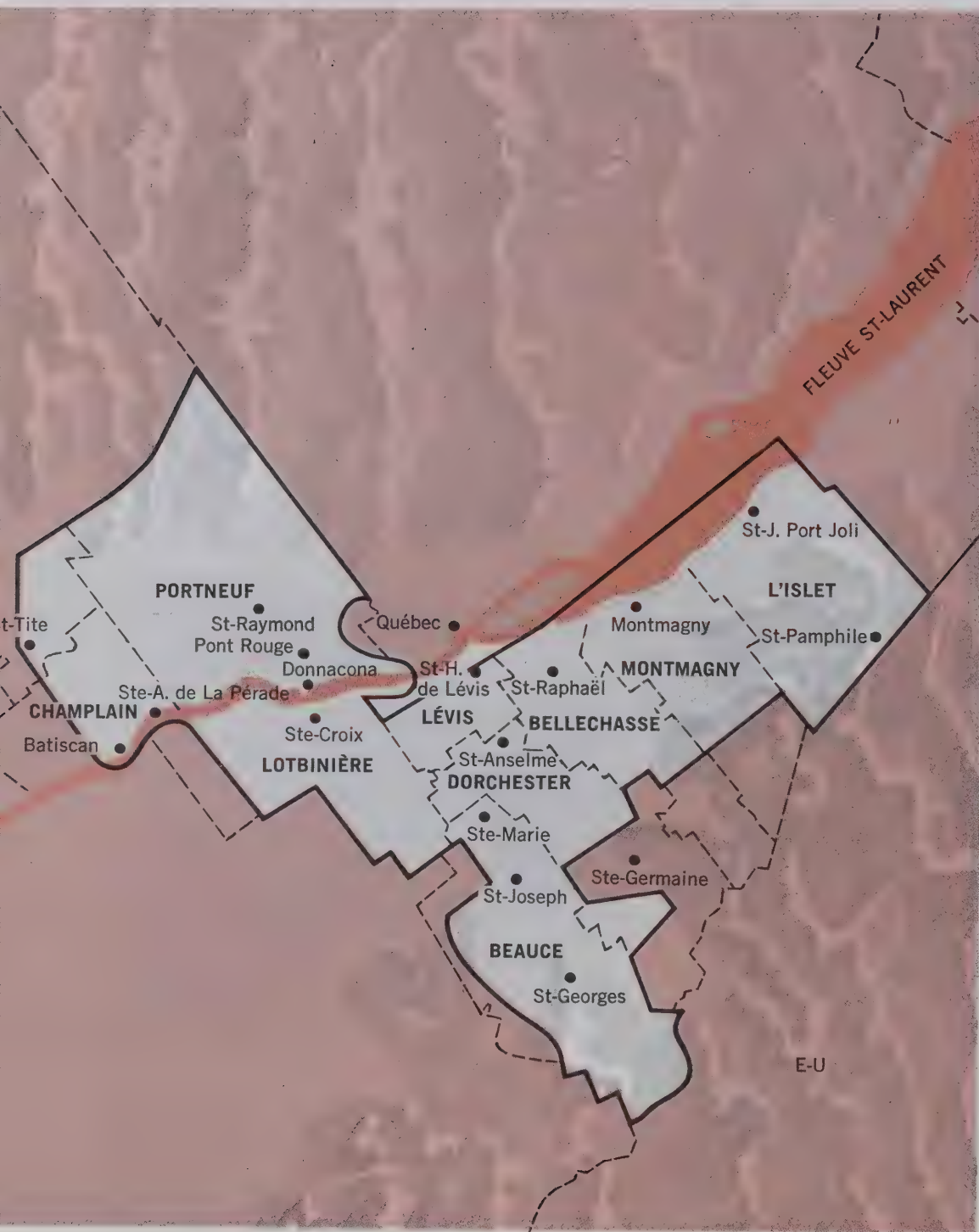
The marked increase in new family formation resulting from the high birth rate of the post-war years, as well as the population shifts to the urban centres, are factors tending to create further demand for housing and for telephone services.

For the Board of Directors



Jacques Brillant
President





Territory Served by Québec-Téléphone

The white portion of the map shows the area of the Province of Quebec served by the Company and its subsidiary, The Bonaventure and Gaspé Telephone Company, Limited.

Québec-Téléphone presently operates 134 telephone exchanges, serving 329 municipalities in an area with a population of over 525,000 inhabitants.





1 ▲

▼ 2



3 ▲

▼ 4



1 • Aerial view of the harbour installations of the Quebec Cartier Mining Company at Port Cartier, Quebec.

2 • Aerial view of the Wabush Mines complex at Pointe Noire on Seven Islands Bay.

3 • The plant of Ciment Québec Inc. at St-Basile de Portneuf.

4 • The Telephone Pavilion at Expo '67. This pavilion was built by The Telephone Association of Canada. The participating companies will supply the personnel. Three of the hostesses will be delegates of Québec-Téléphone.

Auditors' Report to the Shareholders

Québec-Téléphone Consolidated Financial Statements For The Year Ended December 31, 1966

We have examined the consolidated balance sheet of Québec-Téléphone and subsidiary as at December 31, 1966 and the consolidated statements of earnings, retained earnings and source and use of funds for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and source and use of funds, when read in conjunction with the notes thereto, are properly drawn up so as to exhibit a true and correct view of the consolidated state of the affairs of the companies as at December 31, 1966 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Sauvigny, Bélair, Côté, Lacroix
et Associés*

Chartered Accountants

M^cDonald, Curran & Co.

Chartered Accountants

January 30, 1967

Consolidated Statement Of Earnings

For The Year Ended December 31, 1966

'66 '65

Operating Revenues

Local service	\$ 6,376,875	\$ 5,474,332
Toll service	11,003,323	10,485,022
Miscellaneous	246,840	236,727
	17,627,038	16,196,081
Less: Uncollectible operating revenues	57,710	31,318
	17,569,328	16,164,763

Operating Expenses

Maintenance	2,383,475	2,021,926
Depreciation	3,003,397	2,706,440
Traffic	2,119,838	1,936,576
Commercial	1,035,081	896,202
General and administrative	1,894,028	1,718,405
Provincial, municipal and other taxes	553,009	448,793
Provision for current income taxes	1,420,436	1,599,788
Provision for deferred income taxes	929,754	897,755
	13,339,018	12,225,885

Net Operating Income

Other income	4,230,310	3,938,878
	145,581	46,558
	4,375,891	3,985,436

Interest And Other Deductions

Interest on long term debt	1,761,883	1,522,602
Other interest	334,672	132,111
Amortization of discount, premium and expense on long term debt	47,406	45,316
	2,143,961	1,700,029

Net Income For The Year

	2,231,930	2,285,407
--	-----------	-----------

Dividends		
Preferred shares	521,727	500,014
Common shares	1,085,618	1,031,355
	1,607,345	1,531,369

Net Income For The Year After Dividends,

transferred to retained earnings	624,585	754,038
----------------------------------	---------	---------

Consolidated Statement Of Retained Earnings

For The Year Ended December 31, 1966

'66 '65

Balance At Beginning Of Year	\$ 5,813,177	\$ 5,764,902
Net income for the year after dividends	624,585	754,038
	<u>6,437,762</u>	<u>6,518,940</u>
Commission on sale of common shares and on 4¾ % preferred shares 1965 series	—	423,750
Premium and tax thereon on the redemption of 5½ % preferred shares	—	282,013
	<u>—</u>	<u>705,763</u>
Balance At End Of Year	6,437,762	5,813,177

Consolidated Statement Of Source And Use Of Funds

For The Year Ended December 31, 1966

'66 '65

Source Of Funds

Net income for the year	\$ 2,231,930	\$ 2,285,407
Add: Non-cash charges to income for depreciation, amortization and provision for deferred income taxes	3,974,677	3,649,509
	<u>6,206,607</u>	<u>5,934,916</u>
Deduct: Interest charged to construction	118,962	40,602
	<u>6,087,645</u>	<u>5,894,314</u>
Net decrease in deferred charges and credits	—	40,915
Proceeds from issue and sale of common shares (note 2)	3,910,655	1,258,330
Demand and short term notes	7,593,000	—
Proceeds from sale of first mortgage bonds	—	4,950,000
Proceeds from sale of 4¾ % preferred shares 1965 series	—	7,640,000
	<u>17,591,300</u>	<u>19,783,559</u>

Use Of Funds

Gross plant additions and acquisitions	16,558,736	11,644,055
Less: Value of re-used plant	1,788,892	1,762,383
Interest charged to construction	118,962	40,602
	<u>1,907,854</u>	<u>1,802,985</u>
	<u>14,650,882</u>	<u>9,841,070</u>
Redemption of bonds	210,500	549,000
Redemption of 5½ % preferred shares	—	5,095,753
Redemption of 5 % preferred shares	142,760	129,020
Dividends	1,607,345	1,531,369
Net increase in deferred charges and credits	91,607	—
Payments of short term notes	—	2,450,000
Increase in working capital	888,206	187,347
	<u>17,591,300</u>	<u>19,783,559</u>

Consolidated Balance Sheet
as at December 31, 1966

	'66	'65
Assets		
Telephone Plant (note 1)	\$86,614,281	\$72,555,016
Less: Accumulated depreciation	13,894,046	11,601,228
	72,720,235	60,953,788
Current Assets		
Cash	641,782	644,917
Subscribers' and other accounts receivable	2,257,658	1,751,777
Amount receivable from sale of first mortgage bonds hypothèque	—	2,500,000
Sinking fund deposits	1,939	9,931
Materials and supplies — at cost	1,137,659	928,094
Prepaid expenses	195,606	164,134
	4,234,644	5,998,853
Deferred Charges		
Unamortized discount, premium and expense on long term debt ne	569,201	616,607
Other deferred charges	181,879	74,228
	751,080	690,835
Signed On Behalf Of The Board		
Jacques Brillant, Director		
Norman Gendreau, Director		
	77,705,959	67,643,476

	'66	'65
Shareholders' Equity And Liabilities		
Shareholders' Equity		
Authorized Capital Stock (note 2)		
1,196,166 preferred shares of a par value of \$20 each		
5,000,000 common shares without nominal or par value		
Common Shares Issued And Outstanding (note 2)	\$10,755,461	\$ 6,844,806
Retained Earnings	6,437,762	5,813,177
	17,193,223	12,657,983
Preferred Shares Issued And Outstanding (note 2)	10,790,400	10,933,160
Total Shareholders' Equity	27,983,623	23,591,143
Liabilities		
Long Term Debt (note 3)	31,714,000	31,924,500
Demand And Short Term Notes (note 4)	8,143,000	550,000
Current Liabilities		
(exclusive of \$1,695,000 bonds maturing August 1, 1967)		
Accounts payable	808,312	981,755
Bank loan	—	2,500,000
Dividends	434,061	391,925
Accrued bond interest	318,439	289,021
Income taxes	379,530	417,789
Other accrued liabilities	115,394	177,630
Advance billing and payments	205,281	155,312
	2,261,017	4,913,432
Deferred Credits		
Income taxes	7,543,279	6,619,405
Other deferred credits	61,040	44,996
	7,604,319	6,664,401
	77,705,959	67,643,476

A Ten Year Summary

1966

1965

1964

1963

Selected Income Items

Operating Revenues	\$17,569,328	\$16,164,763	\$14,788,648	\$13,424,764
Operating Expenses	7,432,422	6,573,109	5,992,889	5,402,867
Depreciation	3,003,397	2,706,440	2,412,309	2,182,381
Operating Taxes	553,009	448,793	406,612	360,439
Income Taxes	2,350,190	2,497,543	2,322,912	2,175,257
Miscellaneous Income (net)	145,581	46,558	116,582	258,706
Fixed Charges	2,143,961	1,700,029	1,589,920	1,491,233
Net Income	2,231,930	2,285,407	2,180,588	2,071,293
Preferred Dividend Appropriations	521,727	500,014	421,820	431,104
Net Income Available for Common Shares	1,710,203	1,785,393	1,758,768	1,640,189
Common Dividend Appropriations	1,085,618	1,031,355	1,218,674	858,825
Retained Earnings	624,585	754,038	540,094	781,364

Selected Financial Statistics

Long Term Debt	\$31,714,000	\$31,924,500	\$27,473,500	\$27,903,000
Per Cent Total Capitalization	53.1	57.5	58.9	59.8
Preferred Shares	\$10,790,400	\$10,933,160	\$ 7,875,920	\$ 8,071,500
Per Cent Total Capitalization	18.1	19.7	16.9	17.3
Common Shares and Surplus	\$17,193,223	\$12,657,983	\$11,287,628	\$10,677,106
Per Cent Total Capitalization	28.8	22.8	24.2	22.9
Times Bond Interest Earned Before Depreciation	5.5	6.0	5.6	5.5
Times Bond Interest Earned After Depreciation	3.8	4.3	4.0	4.0
*Average Number of Common Shares	1,519,792	1,475,310	1,433,736	1,431,488
Earnings per Average Number of Common Shares	\$ 1.125	\$ 1.210	\$ 1.227	\$ 1.146
Per cent Retained Earnings to Net Income	28.0	33.0	24.8	37.7
Per cent Net Income to Operating Revenues	12.7	14.1	14.7	15.4

Other Statistics

Number of Employees (year end)	1,662	1,580	1,598	1,461
Company Owned Telephones	119,278	108,791	99,168	90,825
Business	34,085	31,048	28,463	26,450
Residence	85,193	77,743	70,705	64,375
Per cent Dial	73.1	71.3	66.7	64.9
Investment per Telephone	\$ 726.15	\$ 666.92	\$ 641.54	\$ 620.89
Telephone Plant	\$86,614,281	\$72,555,016	\$63,620,412	\$56,392,526
Accumulated Depreciation	\$13,894,046	\$11,601,228	\$ 9,841,856	\$ 8,508,948
Per cent Depreciation to Telephone Plant	16.0	16.0	15.5	15.1
Central Offices	134	133	130	125
Monthly Average of Toll Messages	859,383	798,929	731,371	643,997

*Allowing for Split in Common Shares, 2 for 1 in 1964.

1962	1961	1960	1959	1958	1957
\$12,328,717	\$10,447,224	\$ 9,195,515	\$ 7,938,610	\$ 6,407,833	\$ 5,433,038
4,960,833	4,377,533	3,554,085	3,554,042	3,009,147	2,659,424
1,815,477	1,483,374	1,262,378	1,063,890	848,161	597,055
292,311	248,021	183,749	161,432	134,785	99,116
2,018,031	1,839,580	1,568,309	1,324,693	906,831	869,703
206,075	138,348	84,929	16,534	52,193	128,217
1,147,613	968,080	734,574	526,024	530,316	375,963
1,888,377	1,668,984	1,572,349	1,325,063	1,030,786	959,994
439,310	418,425	288,350	295,597	219,105	195,987
1,449,067	1,250,559	1,283,999	1,029,466	811,681	764,007
799,032	739,326	625,171	590,871	522,574	435,068
650,035	511,233	658,828	438,595	289,107	328,939

\$23,265,500	\$17,544,000	\$17,789,000	\$12,966,500	\$10,062,000	\$10,149,000
56.2	50.9	57.2	50.5	44.8	53.8
\$ 8,238,300	\$ 8,357,120	\$ 5,510,260	\$ 5,639,280	\$ 5,741,520	\$ 3,862,960
19.9	24.3	17.7	21.9	25.6	20.5
\$ 9,898,077	\$ 8,554,775	\$ 7,826,990	\$ 7,096,018	\$ 6,642,618	\$ 4,839,574
23.9	24.8	25.1	27.6	29.6	25.7
6.2	6.4	7.3	8.4	6.5	7.7
4.6	4.8	5.5	6.3	4.8	6.1
1,391,412	1,342,816	1,316,765	1,313,050	1,194,584	1,160,099
\$ 1.041	\$ 0.931	\$ 0.975	\$ 0.784	\$ 0.679	\$ 0.659
34.4	30.6	41.9	33.1	28.0	34.3
15.3	16.0	17.1	16.7	16.1	17.7

1,406	1,276	1,171	1,055	1,106	1,069
83,229	75,635	67,420	58,582	52,043	46,589
24,694	22,713	20,937	19,393	17,907	16,842
58,535	52,922	46,483	39,189	34,136	29,747
61.6	57.3	56.0	47.7	44.7	43.0
\$ 582.29	\$ 557.40	\$ 531.34	\$ 509.02	\$ 497.67	\$ 430.51
\$48,463,675	\$42,158,713	\$35,822,796	\$29,819,166	\$25,900,298	\$20,057,486
\$ 6,812,225	\$ 5,597,855	\$ 4,896,090	\$ 4,230,297	\$ 3,555,037	\$ 2,984,937
14.1	13.3	13.7	14.2	13.7	14.8
127	123	121	118	118	117
574,708	527,034	478,210	417,269	394,402	374,106

Notes To Consolidated Financial Statements

For The Year Ended December 31, 1966

1. Telephone Plant

This consists of land, buildings, switching and microwave equipment, poles, wire, cable, underground conduit, telephone apparatus, motor vehicles, office furniture, other equipment and construction in progress.

2. Capital Stock

1966

1965

(a) Preferred shares issued and outstanding			
5% cumulative sinking fund redeemable preferred shares			
1950 series	\$ 21,104		
1951 series	9,643		
1955 series	66,571		
1956 series	42,202		
	<u>139,520</u>	\$ 2,790,400	\$ 2,933,160
4¾% cumulative redeemable preferred shares 1965 series	<u>400,000</u>	<u>8,000,000</u>	<u>8,000,000</u>
		<u>10,790,400</u>	<u>10,933,160</u>
(b) Common shares issued and outstanding			
1,740,956 common shares without nominal or par value		<u>10,755,461</u>	<u>6,844,806</u>
(c) 7,138 5% preferred shares were redeemed during the year through the applicable sinking fund.			
(d) 682 common shares are reserved for issue pursuant to the Employees' Stock Option Plan upon payment of \$20.08 per share, payable in 40 monthly instalments. An additional 3,281 common shares are reserved for issue pursuant to the plan upon payment of \$23.18 per share, payable in 92 bi-monthly instalments. 3,262			
(e) 243,437 and 4,804 common shares without nominal or par value were issued for cash at \$15.25 and \$16.625 per share respectively during the year.			
(f) 240,687 5½% cumulative redeemable preferred shares of a par value of \$20 each issued and fully paid were redeemed and cancelled as at April 1, 1965.			

3. Long Term Debt

Details of long term debt are as follows:

First mortgage redeemable sinking fund bonds —

	Issued	Outstanding 1966	1965
Series "B" 3½% due August 1, 1967	\$ 1,050,000	\$ 866,500	\$ 888,000
Series "C" 4% due August 1, 1967	1,000,000	828,500	856,500
Series "D" 4¼% due May 1, 1972 payable in U. S. funds	1,000,000	865,000	880,000
Series "F" 5½% due December 1, 1984 payable in U. S. funds	3,000,000	2,910,000	2,955,000
Series "G" 5½% due October 15, 1982	5,000,000	4,541,000	4,617,000
Series "H" 5½% due June 1, 1987	6,000,000	5,640,000	5,640,000
Series "I" 6% due October 15, 1990	5,000,000	5,000,000	5,000,000
	<u>22,050,000</u>	<u>20,651,000</u>	<u>20,836,500</u>

General mortgage sinking fund bonds —

Series "A" 5¾% due May 1, 1968	3,000,000	2,671,000	2,673,000
Series "B" 5% due October 1, 1976	1,000,000	888,000	888,000
Series "C" 6% due November 1, 1977	3,000,000	2,729,000	2,735,000
Series "D" 5¾% due April 1, 1983	5,000,000	4,775,000	4,782,000
	<u>12,000,000</u>	<u>11,063,000</u>	<u>11,078,000</u>

First mortgage serial bonds of subsidiary company —

Series "A" 4% maturing November 1, 1966 and 1967	100,000	—	10,000
	<u>34,150,000</u>	<u>31,714,000</u>	<u>31,924,500</u>

Under the provisions of the trust deeds securing the first mortgage bonds and general mortgage bonds of Québec-Téléphone, additional first mortgage bonds and general mortgage bonds may be issued from time to time in unlimited amounts, provided compliance is made with certain restrictive conditions of the respective trust deeds.

\$5,000,000 principal amount 7% First Mortgage bonds, Series "J", dated January 2, 1967, were authorized during 1966, issued, delivered and paid for on January 5, 1967 and net proceeds of \$4,900,000 used to reduce demand and short term notes.

4. Demand And Short Term Notes

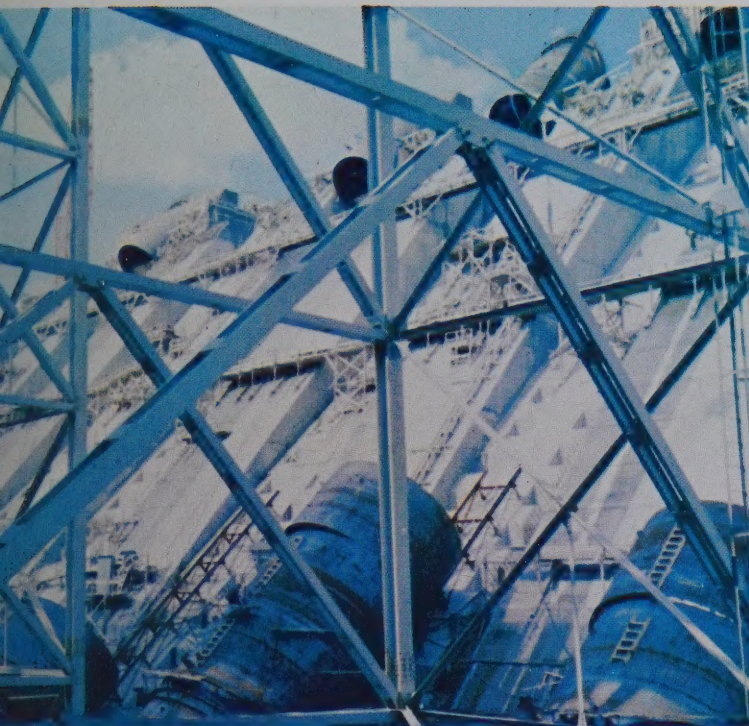
Demand and short term notes aggregating \$8,143,000 are reflected as non-current liabilities as they represent borrowings in anticipation of long term financing.

5. Guarantee Of Employees' Mortgage Loans

To assist its employees in the acquisition of dwellings, the company has guaranteed loans secured by hypothec on employees' dwellings for an amount of \$95,809.

6. Sinking Funds

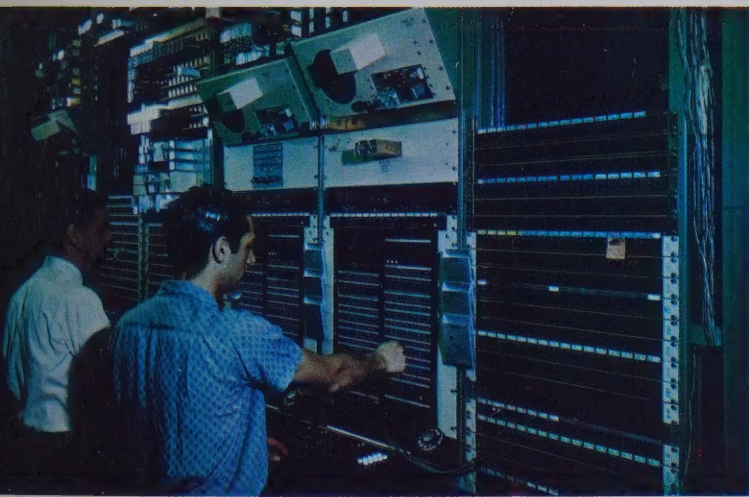
Sinking fund payments required in 1967 in respect of preferred shares and long term debt amount to \$109,860 and \$376,000 respectively.



1 ▲ ▼ 2



4 ▲ ▼ 5



▼ 3



- 1 • Manic 2: Assembly of penstocks.
- 2 • Rimouski's Control Centre — long distance network employees.
- 3 • Bathurst Paper (Chaleurs) Limited.
- 4 • Gaspesia Pulp and Paper Company Ltd. General view of the mill.
- 5 • Manic 5: Under construction: a buttress seen from below.



Quebec's largest independent telephone system



Powe